

VERMONT PENSION INVESTMENT COMMITTEE

October 14, 2008
Conference Call Meeting

VPIC Members Present:

STEPHEN RAUH, CHAIR, VMERS Governor's Delegate, term expiring June 30, 2010
JEB SPAULDING, VICE-CHAIR, VT State Treasurer
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2011
WARREN WHITNEY, VSERS Representative, term expiring June 30, 2012
DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2010
MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012

VPIC Member(s) Absent:

None

VPIC Alternate Members Present:

ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012
VAUGHN ALTEMUS, *Alternate* Governor's Delegate, term expiring June 30, 2010

VPIC Alternate Members Absent:

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2010
JON HARRIS, VSTRS *Alternate*, term expiring June 30, 2011

Also attending:

Donna Holden, Clerk	Chris Levell, James Reichert, NEPC
David Minot, Director of Finance and Investments	Linda Deliduka, Retired Teachers' Association
Bill Griffin, Chief Assistant Attorney General	Karen Paul, Burlington City Council
Jaye Pershing-Johnson, Assistant Attorney General	

CALL TO ORDER:

The Chair, Steve Rauh, called the Tuesday, October 14, 2008, *conference call* meeting to order at 11:00 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Committee Discussion Items

A. Securities Lending

James Reichert explained characteristics of the VPIC's current participation in the State Street Bank securities lending program. He advised that a client of the program recently withdrew 31%, which reduced the previous \$80 billion pool to the current \$55 billion. He further explained the Quality D collateral pool was the higher risk pool offered by SSB&T but also yielded the higher return, of which the VPIC realized in excess of \$4 million for FY '08.

Mr. Reichert advised the Committee NEPC monitors the program closely and that NEPC supports the program based on SSB&T's very strong credit team, cash management team, credit analysis, and portfolio management. He said there were not many options for securities lending investors at this point in time due to market conditions, and that the recommendation to the VPIC was to make no changes in their policy now, but re-evaluate participation in another year or more when the financial market has stabilized.

Mr. Minot advised that as of 10/13/08 the VPIC had approximately \$377 million invested in the Quality D pool which represented .68% of the total assets in the pool. The Committee agreed to continue the discussion with SSB&T at the October 30, 2008 meeting.

B. Real Estate Matters

Mr. Minot advised the Committee of current liquidity issues with the existing core real estate managers and his concern with potential capital calls by the new real estate managers when the contracts are put in place. Mr. Minot agreed to provide further recommendations and contracting information at the October 30, 2008 meeting.

C. Portfolio Performance

Chris Levell advised the Committee to keep the thought “there’s no place to hide” in mind while reviewing the September 30, 2008 “Flash Report”, provided by NEPC. He said the total market value was at approximately \$2.918 billion and fiscal year to date losses of 9.4% for the TRS and Burlington plans, 9.6% for the ERS plan, and 9.8% for the MRS plan, plus an additional 10% was lost in the equity markets since 9/30/08.

Mr. Levell reiterated NEPC’s position to diversify away from equity positions by use of alternatives. He advised the Committee that typically equity performance was a leading indicator for a recession; however, the unknowns would be the duration, depth, level of unemployment, and effect of a new administration, i.e. taxation, deficit, and other policies.

D. PIMCO Guideline Waiver Request/Notification

Mr. Minot advised the Committee he was in receipt of notification from PIMCO that bonds issued by two Icelandic banks held in the PIMCO Stock Plus portfolio had been downgraded to CAA, placing them in violation of the Section B Guidelines which require a minimum quality rating of B-. The credit risk in the bonds is fully offset by a similar size position of Credit Default Swaps with substantial counter parties on the bonds. He said the corrective action recommended by the manager, and supported by NEPC and himself, was for PIMCO to maintain the position and hold the securities.

On a motion by Mr. Mackey seconded by Mr. Whitney, the Committee unanimously voted to grant PIMCO an exception to the policy for this matter.

ITEM 2: Any Other Business to Come Before the Committee

Mr. Minot confirmed liquidity in the portfolio was sufficient to cover monthly demands for expenses and payment of pension benefits.

Mr. Spaulding advised the Committee that a statement regarding the DB plans and condition of the retirement plans was posted to the Treasurer’s Web site at www.vermonttreasurer.gov. **The Committee discussed and agreed** that questions from the press or others should be directed to the Treasurer’s Office.

Adjournment:

Hearing no objections, the Chair declared the meeting adjourned at 12:35 p.m.

Next meeting Date:

The next meetings are scheduled for Thursday, October 30, 2008.

Respectfully submitted,
Donna Holden, Clerk